

**EXECUTIVE SECRETARIAT**  
ROUTING SLIP

*FILE*

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
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8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO /ECON		X		
20	D/OGI		X		
21					
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SUSPENSE		Date			

Remarks

Executive Secretary

9 Oct 85

Date

3637 (10-81)

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Executive Registry

THE WHITE HOUSE  
WASHINGTON

85- 3410/1

## CABINET AFFAIRS STAFFING MEMORANDUM

Date: 10/7/85 Number: ----- Due By: -----Subject: Economic Policy Council Minutes:  
September 5, 6, 9, and 11 meetings

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
State	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Svahn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	Chew (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Hicks	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Executive Secretary for:		
			DPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	EPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

## REMARKS:

Attached for your information are the minutes of the following Economic Policy Council meetings:

September 5  
September 6  
September 9  
September 11

## RETURN TO:

☒ Alfred H. Kingon  
Cabinet Secretary  
456-2823  
(Ground Floor, West Wing)

☐ Don Clarey  
☐ Rick Davis  
☐ Ed Stucky

Associate Director

MINUTES  
ECONOMIC POLICY COUNCIL

September 5, 1985  
2:00 p.m.  
Roosevelt Room

Attendees: Messrs. Baker, Block, Baldrige, Brock, Yeutter, Sprinkel, McFarlane, Wright, Darman, Burnley, Kingon, Ogelsby, McAllister, Armacost, Draper, Driggs, Khedouri, Low, McPherson, Mulford, Robinson, Smart, Smith, and Stucky, and Ms. Constable.

1. Tied Aid Credits

Secretary Baker explained that the Treasury Department's proposal to establish a "war chest" of tied aid grants is a response to the French refusal at the OECD meetings to joining an agreement limiting the use of tied aid grants by raising the minimum grant element to 40 percent. He stated that the "war chest" appears to be the only way to gain French agreement to restricting tied aid grants.

Mr. Mulford stated that both the French and Japanese are relying increasingly on tied aid grants to promote exports and penetrate markets. The number of tied-aid credits with low grant elements has doubled since 1982 and the OECD predicts the amount of such offers will increase to \$6 billion in 1985. He suggested that if negotiations to limit tied aid credits with the French are successful, the Japanese will follow. The tied aid fund would be targeted against the French between now and their elections in March. There is some urgency to taking action because many of our allies in support of raising the minimum grant level are losing enthusiasm because of our failure to gain an agreement.

Mr. Mulford explained that the proposal was crafted to be of limited duration; avoid becoming an entitlement; and would be carefully managed by the Treasury Department. While Congress acts on our proposal for a tied aid fund, the Export-Import Bank would begin aggressively to offer tied aid credits to overmatch French offers.

Mr. Wright raised several questions regarding the war chest, including the possibilities that the French might not agree to negotiate but instead increase their tied aid commitments and that the program might be expanded by the Congress far beyond the Administration's expectations. He expressed concern that Congress might finance such a fund by reducing funding for foreign military sales or the emergency stabilization fund. He also questioned the value of the \$300 million war chest, stating that the \$2 billion export enhancement program has not had much effect.

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Economic Policy Council  
September 5, 1985  
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The Council examined the possibility that the Export-Import Bank might manage the tied-aid grant program. Mr. Draper explained that the Export-Import Bank currently matches, but does not beat foreign tied aid credit proposals, on a selective basis. He noted that the Export-Import Bank cannot offer grants. It must offer loans with a reasonable chance of repayment, although the terms of the loans can be made very similar on a present value basis to a grant. Mr. Draper stated that the Export-Import Bank is highly leveraged now, and needs a capital infusion of about \$5 billion.

A number of Council members expressed support for the tied aid credit proposal as a means of encouraging the French seriously to negotiate to raise the minimum grant element of a tied aid credit. Past efforts to negotiate reductions in tied aid grants have been ineffective because we have not had any leverage.

The Council discussed a number of questions regarding the tied aid credit fund proposal, including whether the Japanese should also be targeted, whether we should announce that the French are being targeted, and the possibility of targeting tied aid credit assistance to developing countries, not middle income countries. The sentiment was that the fund should be targeted against the French but that it might be counterproductive to announce that.

The Council also discussed how long the fund would remain in existence. Secretary Baker explained that the fund was intended to prompt the French to negotiate, and was not designed to serve as an export subsidy program. The program would be terminated when the French agree to raising significantly the minimum grant element of the export credit subsidies.

#### Decision

The Economic Policy Council agreed to recommend to the President that he seek Congressional authorization and appropriations to establish a tied aid fund of \$300 million, to be directed by the Treasury Department with the advice of the National Advisory Council on International Monetary and Financial Policies. All members of the Council supported establishing the fund, except OMB.